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OGC/B-9919

17 February 1960

MEMORANDUM FOR: Chief, SR/2

ATTENTION : 'L' 7

SUBJECT : Lyman M. HEMERET (P) - Payment of Estate to Beneficiary

1. The Finance Division now holds in a trust account about \$55,000.00 representing compensation paid in escrow, contractual death benefits and WAEPFA life insurance of Subject. The designated beneficiary is a daughter about twelve years of age living with her mother, Subject's divorced wife, in Sweden. The fact that Subject was associated with this Agency or the United States Government is considered sensitive and consequently we are unable to pay the money to the designated beneficiary in the normal manner. Having considered the problem and discussed it with outside counsel, we believe that the most secure means of making the payment is to represent it as a gift from anonymous benefactors who were friends of Subject.

2. Our outside counsel has presented a hypothetical case with facts paralleling the real ones to a Swedish attorney for his comment and advice on the possible tax consequences of such a gift. On the basis of the advice received from the Swedish attorney it appears that a lump sum gift of this nature would be taxed by Sweden at a very high rate. There is a steeply progressive gift tax in Sweden with a top rate of 65%. In our opinion the tax on the lump sum payment would be so high as to rule out such a payment. We have discussed other possibilities, including the creation of a trust in the United States which would be self-depleting through annual payments over a period of ten or fifteen years; the breaking down of the lump sum into gifts from several "anonymous donors", thus reducing the tax rate; or a combination of the two procedures. We are asking further advice from the Swedish attorney to ascertain the tax consequences of these possibilities.

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EXEMPTIONS Section 3(b)

(2)(A) Privacy ☐  
(2)(B) Methods/Sources ☒  
(2)(G) Foreign Relations ☐

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3. \$15,000.00 of the sum to be disposed of represents proceeds of an insurance policy issued through WAEPa. We understand that the proceeds were paid to the Agency in trust for the beneficiary because your Division felt it could not reveal the name of the insured and the beneficiary to the insurance company. Since the insurance proceeds increase the total estate by more than one-third they multiply the difficulty of disposing of the total sum in view of the progressive Swedish tax. We would appreciate your reconsideration of your decision not to reveal Subject's name to the insurance company. Insurance proceeds would certainly be taxed at a very low rate, if at all, and the receipt of a check from an insurance company is such a normal thing that it should create no suspicion in the minds of the beneficiary or her mother.

4. I will be pleased to discuss this case further with representatives of the Branch as soon as you have considered the facts presented.

✓ Assistant General Counsel

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